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BEFORE THE DEPARTMENT OF CORPORATIONS
OF THE STATE OF CALIFORNIA

In the Matter of)	CASE NO.
)	
THE CALIFORNIA CORPORATIONS)	FILE NO. 923-3371
COMMISSIONER,)	
)	STATEMENT IN SUPPORT OF ORDER
Complainant,)	LEVYING ADMINISTRATIVE PENALTIES
v.)	PURSUANT TO CORPORATIONS CODE
)	SECTION 25252
)	
CENTENNIAL MANAGEMENT)	
(FRANCIS ANTHONY ANTONUCCI, DBA),)	
)	
Respondent.)	
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)	

Demetrios A. Boutris, the California Corporations Commissioner ("Commissioner") of the Department of Corporations ("Department") alleges and charges as follows:

1. Centennial Management (Francis Anthony Antonucci, dba) ("CM") holds a valid and unrevoked investment adviser certificate issued by the Commissioner pursuant to Corporations Code section 25230 on October 23, 1996. CM is an investment adviser business located at 16776 Bernardo Center Drive, Suite 203, San Diego, California 92128. Francis Anthony Antonucci is CM's sole proprietor. On or about March 26, 2003, the Commissioner commenced a regulatory

1 examination of CM. The examination revealed violations of the books and records and financial
2 reporting provisions of the Corporate Securities Law of 1968 ("CSL")(Corp. Code § 25000 *et seq.*)
3 and the regulations thereunder (California Code of Regulations, title 10, ("CCR"), § 260.000 *et seq.*).
4

5 2. These violations included CM's failure to make and keep a general and auxiliary ledger
6 accounting system reflecting asset, liability, reserve, capital, income, and expense accounts. CM
7 also failed to file annual financial reports with the Commissioner within 90 days of the end of CM's
8 fiscal year. The requirements to maintain books and records and file annual reports provide the
9 Department with a regulatory mechanism to validate a firm's liquidity and financial integrity on both
10 a monthly and on a yearly basis to ensure that licensees maintain the necessary net capital for the
11 protection of the public. CM's failure to keep true, accurate and current books and records has
12 prevented the Department from determining, as part of its regulatory exam, if CM meets the capital
13 requirements imposed by the CSL and the regulations.

14 3. Corporations Code section 25241 provides that investment advisers are required to
15 make and keep books and records that are subject to examination by the Commissioner.
16 Corporations Code section 25241 provides, in relevant part, as follows:

17 [E]very investment adviser licensed under Section 25230 shall make and keep such
18 accounts, correspondence, memoranda, papers, books, and other records and shall file such
19 financial and other reports as the commissioner by rule requires, subject to the limitations
20 of . . . Section 222 of the Investment Advisers Act of 1940 with respect to investment
21 advisers. All records so required shall be preserved for the time specified in the rule. All
22 records referred to in this section are subject at any time and from time to time to such
23 reasonable periodic, special, or other examinations by the commissioner, within or without
24 this state, as the commissioner deems necessary or appropriate in the public interest or for the
25 protection of investors.

26 4. CCR section 260.241.3(a), which sets forth specific books and records required to be
27 maintained by investment advisers, provides in pertinent part as follows:

28 (a) Every licensed investment adviser shall make and keep true, accurate and current
the following books and records relating to such person's investment advisory business:

(1) A journal or journals, including cash receipts and disbursements records, and any
other records of original entry forming the basis of entries in any ledger.

(2) General and auxiliary ledgers (or other comparable records) reflecting asset,
liability, reserve, capital, income and expense accounts.

. . . .

1 (4) All check books, bank statements, cancelled checks and cash reconciliations of
2 the investment adviser.

3 5. CCR section 260.241.2(a) requires the filing of an annual financial report by certain
4 investment advisers. Prior to April 3, 2003, subdivision (a)(2) of CCR section 260.241.2, provided
5 as follows:

6 (a) General Rule. Subject to the provisions of Subsection (c) of this section, ...every
7 licensed investment adviser subject to the provisions of Section 260.237.1 of these rules,
8 shall file an annual financial report containing the information required by a form or forms to
be supplied or approved by the Commissioner, as follows:

9 ...

10 (2) The annual report for investment advisers shall contain a Statement of Financial
11 Condition. Supporting schedules shall contain computations of net capitals, aggregate
indebtedness and ratios required under Section 260.237.1 and the certificate of the accountant
required under subsection (e) of Section 260.237 of these rules.

12 6. The Department's examiner found during the regulatory examination in March 2003
13 that CM had failed to maintain a general and auxiliary ledger accounting system, in violation of
14 CCR section 260.241.3(a). The examiner also found that CM had discretionary power to execute
15 transactions in the brokerage accounts of its investment adviser clients, yet CM had failed to file
16 annual financial reports in the years since 1997, as required by CCR section 260.241.2(a).

17 7. On June 13, 2003, the Department sent CM a regulatory letter notifying the firm of
18 the exceptions discovered during the examination, including the violations of CCR sections
19 260.241.3(a) and 260.241.2(a). Mr. Antonucci responded on behalf of CM by letter dated June 27,
20 2003, in which CM again committed to comply with the books and records requirements once Mr.
21 Antonucci had completed a QuickBook course in August, 2003. The Department quickly informed
22 Mr. Antonucci that this would not be acceptable and that the records had to be set up, forthwith.

23 8. CM also submitted its past annual financial reports for 2001 and 2002, but these were
24 not submitted in accordance with GAAP. Although CM appears to have complied with the
25 Department's demands regarding its books and records, the financial reports that were submitted still
26 lack the necessary computation of net capital and aggregate indebtedness.

27 9. A prior regulatory examination of CM conducted by the Department in 1998
28 revealed, in part, identical regulatory violations. On July 27, 1998, the Department sent a letter

1 notifying Mr. Antonucci, among other things, of his failure to maintain true, correct and current
2 books and records, and of his failure to file annual reports. Mr. Antonucci replied by letter dated
3 August 14, 1998. In this letter, Mr. Antonucci committed to prepare monthly computations of net
4 capital and aggregate indebtedness and to submit annual financial reports in the future.

5 10. Corporations Code section 25252, which became effective January 1, 1999,
6 authorizes the Commissioner to issue an order levying administrative penalties against any
7 investment adviser for willful violations of any provision of the CSL and any rules promulgated
8 thereunder. Specifically, Corporations Code section 25252 provides, in relevant part:

9 The Commissioner may, after appropriate notice and opportunity for hearing, by order levy
10 administrative penalties as follows:

11 (b) Any broker-dealer or investment adviser that willfully violates any provision of this
12 division to which it is subject, or that willfully violates any rule or order adopted or issued
13 pursuant to this division and to which it is subject, is liable for administrative penalties of not
14 more than five thousand dollars (\$5,000) for the first violation, not more than ten thousand
dollars (\$10,000) for the second violation, and not more than fifteen thousand dollars
(\$15,000) for each subsequent violation.

15 11. By reason of the foregoing, CM has willfully violated Corporations Code section
16 25241 and CCR sections 260.241.3(a) and 260.241.2(a), justifying the imposition of administrative
17 penalties. CM, as a licensee, was obligated to have knowledge of, and to comply with, the
18 provisions of the CSL and the regulations thereunder to maintain its investment adviser certificate.
19 Furthermore, on July 27, 1998, the Department notified CM of the requirements of CCR sections
20 260.241.3(a) and 260.241.2(a). CM continued to violate both sections, despite the Department's
21 actual notification and CM's assurances of future compliance.

22 12. Therefore, pursuant to Corporations Code section 25252, the Commissioner seeks
23 administrative penalties for CM's failure to maintain true, accurate and current books and records in
24 willful violation of Corporations Code section 25241 and CCR sections 260.241.3(a) and
25 260.241.2(a).

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1 WHEREFORE, good cause showing, and pursuant to Corporations Code section 25252, the
2 California Corporations Commissioner prays for an order levying administrative penalties in the
3 amount of \$750.00 for each violation for a total of \$2,250.00.

4 Dated: November 26, 2003

DEMETRIOS A. BOUTRIS
California Corporations Commissioner

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7 By: _____
8 MARK E. HARMAN
9 Senior Corporations Counsel
10 Enforcement and Legal Services Division
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